QUARTERLY REPORT TO THE JOINT LEGISLATIVE OVERSIGHT COMMITTEE

ON

MENTAL HEALTH, DEVELOPMENTAL DISABILITIES AND SUBSTANCE ABUSE SERVICES

SESSION LAW 2001-437

April 1, 2004 to June 30, 2004

This quarterly report is submitted to the Legislative Oversight Committee on Mental Health, Developmental Disabilities and Substance Abuse Services (LOC), pursuant to the requirements of Session Law 2001-437. This report is for the months of April 1 through June 30, 2004 and provides information on major developments as the Division implements reform.

Section I: Major developments for this quarter include:

- System reform continues to move steadily forward.
- A draft of State Plan 2004: Blueprint for Change was released for a 30-day public comment period.
- Michael S. Lancaster, M.D. was appointed the Chief of Clinical Policy.
- The Team Leader for the Quality Improvement Team has been selected.
- The Public Policy Work Group continues its work. This group is comprised of representatives from the Division, Area/County Programs, County Managers and County Commissioners.
- The External Stakeholder Group, which was appointed by Secretary Carmen Hooker-Odom and Former Division Director Richard Visingardi, continues to meet. This group was established to assist the Division with necessary policy development as a part of Mental Health reform implementation.
- The draft Workforce Development Plan was released for 30-day comment period.
- The LME cost model was completed and area programs were notified of preliminary allocations.

Section II: Statutory Items

1. Division Reorganization

The reorganization of the Division is completed and the Division is operating under the new organizational structure. All team leaders have been hired and are leading their teams in carrying out assigned duties and responsibilities.

Michael S. Lancaster, M.D. was appointed Chief of Clinical Policy. Dr. Lancaster is the first person to be appointed to the newly created position which will provide clinical leadership in all disability areas for the state and local mental health, developmental disabilities and substance abuse programs, including state operated programs and facilities and clinical care provided by and through Local Management Entities (LMEs). Dr. Lancaster has served as Regional Medical Director at ValueOptions, Inc. in Research Triangle Park and worked at Holly Hill Hospital in Raleigh, serving as a medical staff member and as Clinical Director of Child and Adolescent Services. Dr. Lancaster is a graduate of Duke University and Tulane University School of Medicine. A curriculum vita and press announcement are attached to this report.

2. State Plan 2004: Blueprint for Change

The draft State Plan 2004: Blueprint for Change was posted on the Division's website and distributed for comment from the public. The comment period lasted 30 days (i.e. May 21, 2004 through June 21, 2004). The Division received thirty-five comments via email and regular US Postal mail services. State Plan 2004, the third update, reflects the continued evolution of reform efforts and builds on State Plan 2001: Blueprint for Change. The information contained in the Plan reflects the work that has been accomplished and outlines key developments that must occur over the next fiscal year in order to continue to move reform forward. The final version of the State Plan 2004 is slated for publication by July 1, 2004.

The Division's Operations Plan, which specifies the outcomes to be achieved and products delivered is posted on the Division's website. Responsibilities for these outcomes and products have been assigned to Division team leaders. Team leaders meet monthly to discuss the status of the deliverables and tasks in the Plan. All deliverables and tasks are on schedule. The updated Operations Plan, which will include the key developments for state fiscal year 2004-2005, will be developed during next quarter.

The Child Mental Health Plan is posted on the Division's website and provides the initial direction for developing a children's system that is most responsive to the lives of children, families and communities. Responsibility for the plan has been assigned to the Prevention and Early Intervention Team. A work plan timeline has been completed that details the milestones and dates for the events associated with operationalizing the Plan.

The Division released Communication Bulletins #017, #018, #019 and #20.

- Communication Bulletin #017-Maintaining Public Sector Access to Psychiatrists provides guidance for area/county programs as they proceed with divestiture of currently employed psychiatrists.
- Communication Bulletin #018-Workforce Development Plan announces the Division's draft Workforce Development Plan. The draft Plan encompasses long-term strategies for workforce planning and workforce development as well as the Division's first annual training plan.
- Communication Bulletin #019-Draft State Plan 2004 announces the draft State Plan 2004: Blueprint for Change.
- Communication Bulletin #020-Area Director Evaluation Criteria provide guidance for ensuring that evaluations of Area Directors are based on the key functional areas outlined in the bulletin.

3. Local Systems Development

Information and Technical Assistance:

Division staff of the Customer Services and Community Rights Team completed the third data report. This report provides information about complaints, informal Medicaid appeals and information and referral requests filed by consumers and family members and stakeholders.

Staff continues to work closely with the Department's Office of Citizen Services (CARE-LINE) and local LMEs to address stakeholder issues. Issues are analyzed for important trends in order to improve quality. Reports will be published quarterly and posted on the Division's Advocacy and Customer Services Section web-site.

The selection process for the State Consumer Family Advisory Committee (SCFAC) has been completed. The SCFAC, in conjunction with the Division's Executive Leadership Team (ELT), will provide input and conduct oversight of the Division's operations and efforts to accomplish the strategic outcomes of the State Plan. The Committee held its first meeting May 5, 2004.

The 2004 Rights and Empowerment Conference was convened May 14 and 15. Over 250 consumers and family members attended the conference and discussed vital Mental Health Reform issues with administrators, service providers and advocates. Topics included rights protections across the spectrum, community advocacy, fighting workplace discrimination, housing and education, advocacy and aging services and empowering teens to be advocates. Steven Onken of Columbia University led a discussion on evaluating recovery models in mental health and substance abuse.

The Advocacy and Customer Service Section and North Carolina Council of Community Programs are working on a technical assistance project to develop LME Customer Service Offices. Local customer service is an essential role for LMEs in Mental Health Reform. These offices help consumers who have concerns about clinical service and their legal rights. The offices also work to empower consumers to participate in policy development and community advocacy. After a six month planning phase to allow LMEs to make organizational changes, the technical assistance staff will conduct regional and local training.

4. Local Business Plans

The draft contract between the Department and the LMEs has been completed and distributed. Staff has completed the reviews of Phase III programs and conducted site visits. Division staff has identified LMEs that do not meet the 200,000-population/six county criteria. Discussions have been held with these programs regarding their plans for becoming a viable LME.

5. Services and Programs

Renovations at the Alcohol and Drug Abuse Treatment Centers (ADACT)

Renovations on the new acute unit at the Blackley ADATC were completed in April 2004. The new staff positions were approved in January 2004 and posted beginning in May 2004. Funding for the positions will come from the Mental Health Trust Fund initially until recurring funds are identified from the Psychiatric Hospital downsizing. Use of Trust Fund monies, which are not recurring, has necessitated the listing of the new positions as time-limited. Recruitment efforts have yet to yield enough applicants to staff the new unit. Alternative measures are currently under consideration to realign staff and open some additional acute capacity. In other developments, additional funds were identified to increase the Mental Health Trust Fund to enhance efforts to bring up acute crisis/detox capacity and to enable new construction projects at both the Julian F. Keith ADATC and the Walter B. Jones ADATC. Planning is currently underway to design the new structures at these facilities. The renovation project at WBJ has passed all reviews and will be let for bid in the summer of 2004. The renovation project is anticipated to be complete within 10 months of the bid for construction.

Funding to Support Expansion of Community Capacity:

Community capacity expansion plans submitted by LMEs continued to be reviewed, with approval of the last proposals provided in late April. LMEs worked to implement their approved capacity expansion plans during the quarter to support downsizing of adult and geriatric long-term beds in the hospitals.

Capacity expansion during SFY2004 was supported by allocation of $2,507,933 from the Mental Health Trust Fund in start-up funding. Savings to be re-directed to community services from hospital bed downsizing in SFY2005 is projected at $7,980,915 including Piedmont project funds. LMEs have been asked to submit status reports on implementation of community capacity expansion by July 30, 2004.

Of the scheduled 172 beds scheduled for reduction across the hospitals this fiscal year, 141 have been closed as of June 30, with others likely to be closed early in SFY2005. Closures include 26 nursing beds at Cherry, 67 adult long-term beds at Broughton, Cherry and John Umstead, and 48 geriatric beds at Broughton, Dorothea Dix, and John Umstead. Plans have been formulated for implementation over the next 6 to 18 months to develop residential and nursing facility care services for long-term elderly patients still residing in the state hospitals. These supports include enhanced behavioral care nursing facility units, special care units in adult care facilities, and additional capacity at NC Special Care Center.

The Division's State Operated Services Section continued the process of reviewing and approving discharge plans for long-term patients departing from hospital wards undergoing downsizing as part of our Olmstead Plan. Hospital and LME staff collaborate in developing discharge and aftercare plans that address all the significant placement, treatment, and service needs of individuals discharging from the affected hospital wards. Cherry Hospital has submitted its discharge plans for adult long-term patients to the Section for review consistent with beginning to downsize these types of beds in 2004. Section staff provided training to Hospital and LME staff in the required procedures to ensure timely and appropriate discharge planning procedures and outcomes.

Adult admissions to the state hospitals have increased dramatically over the course of this fiscal year, particularly during the 3rd and 4th quarters. Across the 4 hospitals, admissions increased 14% in both 3rd and 4th quarters in SFY2004 versus SFY2003. Such a significant increase in the number of admissions results in increases in patient censuses and crowding, decreases in length of stay, challenging rises in acuity levels, and increasing difficulty in maintaining safe and appropriate staffing levels. LMEs have been informed of the statewide increase in admissions, and efforts are under way to assist LMEs in identifying and addressing factors leading to this dramatic rise in use of the state hospitals. During the next quarter, regional capacity planning meetings will be used to address this problem, which if left unchecked will have adverse effects on the ability of the state hospitals to provide safe and therapeutic care as well as to achieve State Plan driven downsizing goals.

The bed day allocation plan continued in operation with some important alterations. A regional model was rolled out to the LMEs, in which end of year utilization numbers are examined regionally rather than by individual LMEs. All

but two LMEs choose to participate in the region model. Year-end utilization will be reviewed individually for the two programs that did not choose to participate in the regional model, and any utilization of hospital bed days beyond allocations will be subject to a charge per day. In addition, bed days for SFY2005 were revised to reflect the actual number of beds operated by the hospitals in each category. This resulted in reduced allocations in some cases, most particularly for West Region LMEs in the category of adult admission beds.

6. Administration and Infrastructure

Service Definitions and Licensure Rules:

Staff continues to have discussion with the Division of Medical Assistance (DMA) regarding the child and adult mental health, developmental disabilities, substance abuse service definitions. These new service definitions reflect the implementation of the State Plan and evidence-based best practice services and supports.

7. Financing

Mental Health Trust Fund:

The Mental Health Trust Fund continues to be used to assist in reform and community expansion. As of June 30, 2004, $32,234,028 has been used for the following: bridge funding to Area Programs associated with hospital downsizing, hospital replacement planning, funding to Area Programs/counties for IPRS conversion and Local Business Plan development, Olmstead planning assessments and oversight, training regarding reform and consultant contracts.

Integrated Payments and Reporting System:

At this time all Area Programs, except Riverstone and Piedmont, are in production and using the Integrated Payments and Reporting System. This brings an end to the implementation project.

8. Progress in Addressing Barriers to System Reform

This section of the report reflects progress in addressing barriers to system reform. The identified barriers were included in previous quarterly reports.

1. Statutory changes were required regarding confidentiality to reflect changes in HIPPA, IPRS implementation and the acknowledgement of county programs in the statutes where confidentiality is cited.

Update
Legislation on confidentiality was passed by the General Assembly.

2. Local business plans submitted by some Phase I programs have identified ways to enhance reform implementation. Before moving forward with statewide implementation on these ideas, piloting will likely be necessary. When necessary, legislation to pilot alternatives to existing statutes/rules will be proposed.

Update
Legislation on 1st level commitment evaluations and funding integration was passed by the General Assembly. On December 1, 2003, the Division issued a Request for Applications soliciting eligible Area Programs to participate as pilot sites for the first examination waiver project. The application deadline was December 31, 2003. Seven Area Programs submitted applications. Four Area Programs were chosen to participate. These programs are CenterPoint Human Services, Pathways, Piedmont Behavioral Healthcare and Smoky Mountain Center.

9. Session Law 2001-437, Section 3 Reporting Requirements

Pursuant to the requirements of Section 3, (a), the status of the remaining items listed in this section are:

Section 3(a)(3) Oversight and Monitoring Functions:

Pursuant to SB 163, area authorities or county programs are responsible for monitoring the provision of Mental Health, Developmental Disability and Substance Abuse Services for compliance with the law in cooperation with the Department. These activities are part of a spectrum of quality assurance activities. Permanent rules become effective on July 1, 2004.

As reported to the LOC in the first quarter of 2003, the SB 163 Report was distributed to the legislature. This report outlines steps taken for implementation of SB 163 that includes rule drafting and tracking requirements. As recommended in the Report, legislation has been introduced that addresses both technical changes to the bill as well as barriers identified as part of the implementation process. SB 926 was passed by the General Assembly and a Department steering committee has been established to guide the implementation of the statute. The divisions of Medical Assistance, Social Services, and Mental Health, Developmental Disabilities and Substance Abuse Services have drafted rules to implement the provisions of SB 926. The rules are congruent across the department. The MHDDSAS rules are in process for permanent rulemaking.

Section 3(a)(4) Service Standards, Outcomes and Financing Formula:

These items remain under study and development.

Section 3(a)(8) Consolidation Plan, Letters of Intent:

As reported to the LOC in the first quarter of 2003, all letters were submitted timely. In addition to reports provided to the Secretary and the LOC, a progress report will be included in the July 2004 State Plan revision. These consolidations include:

- The Sandhills Area Program and the Randolph County Area Program merged effective July 1, 2003 to form Sandhills.
- Wayne, Duplin-Sampson and Lenoir County Area Programs merged effective July 1, 2003 to form Eastpointe.
- The Davidson Area Program and the Piedmont Area Program merged effective January 1, 2004 to form Piedmont
- Three multi-county programs-Blue Ridge Center, Rutherford-Polk and Trend have merged effective January 1, 2004 to form Western Highlands.